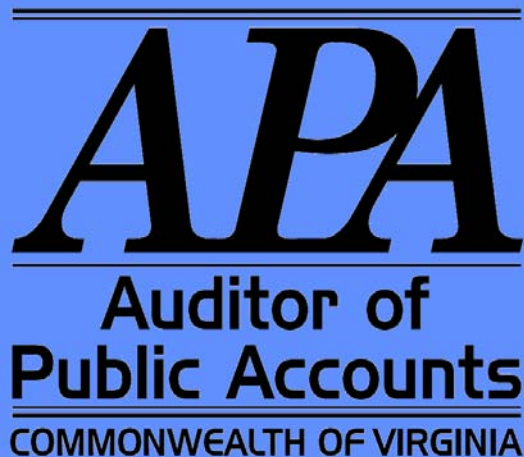


DEPARTMENT OF JUVENILE JUSTICE

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2007 AND JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Department of Juvenile Justice for the two-year period ended June 30, 2008 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AUDIT FINDINGS AND RECOMMENDATIONS

Strengthen Controls over Capital Project Procurement and Capitalization

The Capital Outlay department does not remove projects from construction in progress and capitalize the asset in a timely manner. During test work, we identified six projects classified as construction in progress that showed no activity during fiscal years 2007 and 2008. Of these six projects, the Capital Outlay department had the proper paper work (CO-14 project closing document) to close three projects and other documents, which indicate they should have closed the remaining projects. Leaving completed projects as construction in progress could potentially lead to an overstatement of the construction in progress balance as well as an understatement of the capital asset balance and related depreciation expense for financial statement reporting.

The Accounting and the Capital Outlay departments are developing a process, which will indicate when to remove projects from construction in progress. The Capital Outlay department should continue to work with the Accounting department to finalize this process. In addition, the Capital Outlay and Accounting departments should correct the current records for the projects discussed in this point.

Improve Leave Processing

Juvenile Justice's inadequate leave process is allowing employees to receive pay when they have no leave and in some cases can result in employees leaving the department with over payment for leave balances or not receiving credit for leave earned. In one case an employee who left Juvenile Justice received a paycheck, which did not deduct leave without pay, resulting in the employee owing the agency \$961.

The Director of Human Resources has responsibility for the leave reporting process and cannot get the facility timekeepers to send employee leave activity reporting forms to Central Offices Human Resource and Payroll in a timely manner. We could not determine why the Director of Human Resources could not get the timekeepers to follow the Juvenile Justice's established policies and procedures.

Juvenile Justice Human Resource and Payroll staff are incurring significant time adjusting payrolls, leave records and other administrative duties attempting to deal with the errors caused by late leave records. Further, these delays are affecting the staff who make leave decisions, based on these incorrect records.

The Chief Deputy of Juvenile Justice and the Director of Human Resources, in cooperation with the Deputies of Institutions, Community Programs, and Administration and Finance, should work with the various facility managers to determine the root cause of these problems and develop a plan which could include both training and the employment actions for timekeepers who do not follow the process. If the failure is not timekeepers, then management should follow the same recommendation with supervisors and managers who are not ensuring compliance with the process in a timely manner.

AGENCY INFORMATION

Background Information

The Department of Juvenile Justice (Juvenile Justice) provides custody and care for juveniles in the correctional system. Juvenile Justice has a central office in Richmond and three regional offices. The central office provides administrative support while the regional offices oversee court service units. Juvenile Justice also assists in funding the following facilities and programs.

- Six Juvenile Correctional Centers provide 24-hour secure custody and supervision, treatment services, recreational services, and a variety of special programs.
- A Reception and Diagnostic Center provides psychological, educational, social, and medical evaluations for committed youth.
- Thirty-five Juvenile and Domestic Relations Court Service Units provide intake, supervision, counseling, and a variety of other special services. The Commonwealth operates 32 units and localities operate three.
- Three halfway houses provide 24-hour residential and treatment services for youth returning to their communities.
- Twenty-four secure detention homes provide temporary care of juveniles who require secure custody pending court disposition or placement.
- One community placement program serves committed male offenders through a contractual partnership between Juvenile Justice and two detention centers. The program allows for placement of state committed juveniles in a smaller, community-based setting by providing them with a secure 10-bed pod separate from the detention population.

Financial Information

Juvenile Justice's main funding source is General Fund appropriations. Over 97 and 96 percent of Juvenile Justice's total funding in fiscal years 2007 and 2008, respectively, came from General Fund appropriations. Juvenile Justice also receives federal grants and collects some miscellaneous revenues. The following schedules provide information on the operating budget and expenses for fiscal years 2007 and 2008.

Analysis of Budgeted and Actual Expenses by Funding Source:

| <u>2007 Funding Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Expenses</u> |
|--------------------------------|----------------------------|-------------------------|----------------------------|
| General Fund | \$ 207,109,977 | \$208,376,650 | \$206,312,748 |
| Special Revenue Funds | 1,479,950 | 1,469,950 | 1,424,089 |
| Dedicated Special Revenue | 25,000 | 35,000 | 34,081 |
| Federal Fund | <u>3,662,927</u> | <u>4,211,470</u> | <u>3,803,533</u> |
| Total | <u>\$212,277,854</u> | <u>\$214,093,070</u> | <u>\$211,574,451</u> |

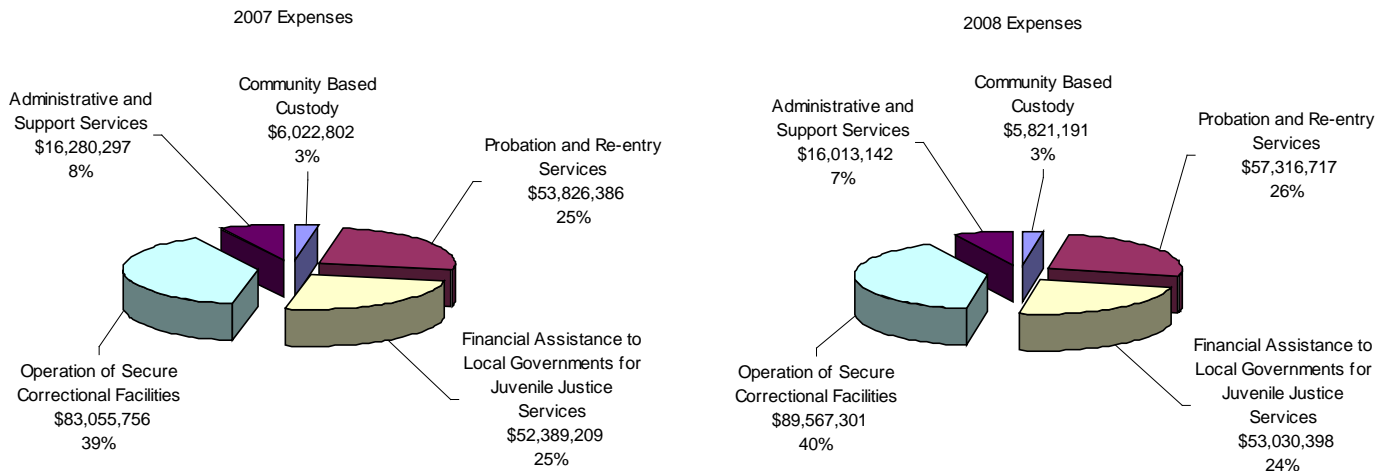
Source: Commonwealth Accounting and Reporting System

| <u>2008 Funding Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Expenses</u> |
|--------------------------------|----------------------------|-------------------------|----------------------------|
| General Fund | \$ 208,137,345 | \$215,856,538 | \$214,757,365 |
| Special Revenue Funds | 1,529,950 | 3,729,950 | 3,203,682 |
| Dedicated Special Revenue | 25,000 | 25,000 | 23,789 |
| Federal Fund | <u>3,939,617</u> | <u>3,915,915</u> | <u>3,763,914</u> |
| Total | <u>\$213,631,912</u> | <u>\$223,527,403</u> | <u>\$221,748,750</u> |

Source: Commonwealth Accounting and Reporting System

During fiscal year 2008, the overall budget increased by \$9.9 million. The majority of the budget increase is a General Fund transfer of \$12.3 million to pay for employee compensation and benefit supplements, with an offset of a budget reduction of \$4.4 million in accordance with Governor Kaine's October 2007 reduction plan.

The following chart shows 2007 and 2008 expenses by program. Juvenile Justice has three main programs; operation of secure correctional facilities, financial assistance to local governments for juvenile justice services, and probation and re-entry services. This report discusses these three major programs in more detail in the next section. The programs with the largest fluctuations between 2007 and 2008 are Probation and Re-entry Services and Operation of Secure Correctional Facilities, which is the result of the employee compensation and benefit increase noted above.



Source: Commonwealth Accounting and Reporting System

Juvenile Correctional Facilities

During fiscal years 2007 and 2008, Juvenile Justice operated six juvenile correctional centers and a reception and diagnostic center, which provide programs to address the treatment, disciplinary, medical, educational, and recreational needs of the juveniles. During fiscal year 2008, the total cost to hold one juvenile increased \$16,214 or 15.8 percent. This fluctuation relates primarily to an increase in personnel costs at Juvenile Justice and the Department of Correctional Education and a decrease in the average daily population.

The following chart shows overall admission and capacity information for the juvenile correctional centers in fiscal years 2007 and 2008. Juvenile Justice's current funding level supports beds for 1,056 juveniles.

| | <u>2007</u> | <u>2008</u> |
|--------------------------|-------------|-------------|
| Admissions | 833 | 770 |
| Capacity | 1044 | 1,056 |
| Average daily population | 956 | 901 |
| Annual cost per juvenile | \$102,204 | \$118,418 |

Source: Per Capita Report prepared by the Department of Juvenile Justice

Note: The annual cost per juvenile includes costs incurred by the Department of Correctional Education for providing education for the juveniles. These education costs were approximately \$19,414 and \$22,193 per juvenile in fiscal years 2007 and 2008, respectively.

The following tables include capacity and cost information for each juvenile correctional center. Personnel costs represent a significant portion of each center's operating expenses. Juvenile Justice also operates a behavioral services unit, infirmary, and maintenance department, which benefit all the juvenile correctional centers. Juvenile Justice allocates these costs to the various centers based on each facility's average daily population.

Expenses By Correctional Facility

| | <u>Beaumont Correctional Center</u> | <u>Bon Air Correctional Center</u> | <u>Culpeper Correctional Center</u> |
|---|---|--|---|
| Average daily population | 242 | 185 | 137 |
| Capacity | 288 | 213 | 144 |
| Juvenile correctional center expenses: | | | |
| Correctional center operating expenses | \$20,954,200 | \$14,261,828 | \$11,074,637 |
| Behavioral services unit, infirmary, and maintenance | <u>2,225,796</u> | <u>3,767,212</u> | <u>1,173,541</u> |
| Total expenses | <u>\$23,179,996</u> | <u>\$18,029,040</u> | <u>\$12,248,178</u> |
| Per capita expenses: | | | |
| Annual cost per juvenile** | \$117,978 | \$119,647 | \$111,596 |
| Daily cost per juvenile | \$323 | \$328 | \$306 |

| | AM, SO, SA, ASP, LS, ISP, Phoenix | AM, SO, SA, ASP, ISP, Phoenix | AM, SO, SA, ILP, ASP, Phoenix |
|--|--------------------------------------|----------------------------------|----------------------------------|
|--|--------------------------------------|----------------------------------|----------------------------------|

*Legend:

| <u>Acronym</u> | <u>Description</u> | <u>Acronym</u> | <u>Description</u> |
|----------------|------------------------------------|----------------|---|
| SA | Substance Abuse | ILP | Independent Living Programs |
| AM | Anger Management | BP | Behavioral Program |
| SO | Sex Offenders | LS | Life Skills |
| ISP | Intensive Services Program | JROTC | Junior Reserve Officers Training Corps. |
| ASP | Administrative Segregation Program | Phoenix | Gang Management Program |

**Annual cost per juvenile includes \$22,193 per juvenile for educational costs provided by the Department of Correctional Education.

Expenses By Correctional Facility, continued

| | <u>Hanover Correctional Center</u> | <u>Natural Bridge Correctional Center</u> | <u>Oak Ridge Correctional Center</u> | <u>Reception and Diagnostic Center</u> |
|---|--|---|--|--|
| Average daily population | 135 | 57 | 40 | 105 |
| Capacity | 144 | 71 | 40 | 156 |
| Juvenile correctional center expenses: | | | | |
| Correctional center operating expenses | \$10,563,448 | \$5,251,770 | \$3,669,547 | \$9,207,446 |
| Behavioral services unit, infirmary, and maintenance | <u>1,204,781</u> | <u>564,215</u> | <u>804,890</u> | <u>1,975,756</u> |
| Total expenses | <u>\$11,768,229</u> | <u>\$5,815,985</u> | <u>\$4,474,437</u> | <u>\$11,183,202</u> |
| Per capita expenses: | | | | |
| Annual cost per juvenile** | \$109,365 | \$124,228 | \$134,054 | \$128,700 |
| Daily cost per juvenile | \$300 | \$341 | \$367 | \$353 |

| | | | | |
|--------------------------------------|---------------------------------------|-----------------|--------------------------------|--------------------------------|
| Programs available at each facility* | Phoenix, AM, SO, SA, ASP, JROTC | Phoenix, AM, SA | AM, SA, SO, BP, LS, Phoenix | Juvenile Overall Evaluation |
|--------------------------------------|---------------------------------------|-----------------|--------------------------------|--------------------------------|

*Legend:

| <u>Acronym</u> | <u>Description</u> | <u>Acronym</u> | <u>Description</u> |
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**Annual cost per juvenile includes \$22,193 per juvenile for educational costs provided by the Department of Correctional Education.

Source: Commonwealth Accounting and Reporting System
Fiscal Year 2008 Per Capita Report prepared by the Department of Juvenile Justice

Financial Assistance to Localities

Juvenile Justice makes payments to localities for the construction, maintenance, and operation of local or regional detention centers, group homes, and numerous other related facilities. These facilities house juveniles who are awaiting sentencing or who require a less secure environment. There are 24 secure detention centers throughout the Commonwealth that can house over 1,420 juveniles. Twelve of these facilities are locally operated, and twelve are run by regional commissions, which are political entities comprised of three or more localities. Juvenile Justice also funds various group homes and day centers, which also house delinquent juveniles. Localities request funds from Juvenile Justice and the Board approves these requests. These payments come almost entirely from General Fund appropriations in the form of block grants and Virginia Juvenile Community Crime Control Act funds.

Probation and Re-Entry Services

Juvenile Justice has 35 court service units located throughout the state. The court service units coordinate services for juveniles in the court system. They provide a variety of services including intake, domestic relations, investigations, probation, and counseling. During fiscal year 2008, the court service units processed 87,958 complaints involving juveniles.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

March 11, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Department of Juvenile Justice** (Juvenile Justice) for the fiscal years ended June 30, 2007 and June 30, 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of Juvenile Justice's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Juvenile Justice's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Appropriations
Contractual Services
Payroll Expenditures
Financial Assistance and Incentives Payments to the Localities

Capital Outlay System Access

We performed audit tests to determine whether Juvenile Justice's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Juvenile Justice's operations. We reviewed the Juvenile Justice Board minutes and applicable sections of the Code of Virginia and the 2007 and 2008 Virginia Acts of Assembly. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that Juvenile Justice properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Juvenile Justice records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations." The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Juvenile Justice has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference And Report Distribution

We discussed this report with management on April 7, 2009. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

TAS/alh



Barry R. Green
Director

COMMONWEALTH of VIRGINIA

Department of Juvenile Justice

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7th and Franklin Streets
P.O. Box 1110
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Fax: (804) 371-0773
Voice/TDD (804) 371-0772

April 7, 2009

Mr. Walter J. Kucharski, Auditor
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski

The Department of Juvenile Justice (DJJ) appreciates the opportunity to respond to the results of the Fiscal Years 2007-2008 audit conducted the last two months here at DJJ. I will address each Management Point separately and our responses will be similar to our earlier responses when we were made aware of the possible Mgt. Pt.

MP # 1

Strength Controls over Capital Projects Procurement and Capitalization

The Department concurs that we have not completed the clearing out of construction projects from the Construction in Progress (CIP) Report. However, as indicated in the Audit report, we have made significant progress in removing projects from the CIP. New procedures have been developed between the Capital Outlay (CO) Unit and the Accounting Unit and they are working closely to bring the CIP up-to-date by June 30, 2009. Several factors have delayed our completion of this project. These include the Accountant position which coordinates the CIP with the Capital Outlay Unit being vacant for a period of 11 months and the Business Manager of the CO Unit assisting and acting as the Business Manager for Beaumont JCC for the last 12 months two days a week. This has significantly delayed the completion of the CIP.

MP # 2

Improve Leave Processing

While we acknowledge we have some issues with leave processing, DJJ is of the opinion the issues are more episodic than systemic as MP # 2 seems to state. In those instances where leave was submitted late or not submitted until some time

had passed which resulted in a staff member being in LWOP status due to exhausting their leave, the problem was staff not following procedures that are in place. In those instances, staff's inappropriate behavior was addressed through the normal Standards of Conduct process and in some cases resulted in suspension.

Late keying of leave has also been addressed within the Human Resource (HR) Unit by management and has been corrected.

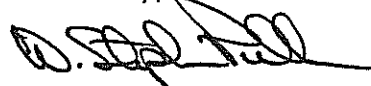
DJJ has reviewed the Leave Administration Directive 05-004.10 and the Administrative Directive 04-003.15 on Payroll Procedures. In our review we have determined that both directives do not adequately address or stress the importance of leave in regards to Leave Without Pay (LWOP) and the processes to follow when staff goes into LWOP status. While both directives address LWOP, they are not clear in spelling out timekeepers responsibilities on the timely submitting of leave forms to the HR Unit in central office or the docking forms to Payroll.

The sections addressing LWOP in both directives will be rewritten to provide specific actions to be taken by timekeepers and the specific timeframes they are to be taken in. In addition, both directives will reference the appropriate section of the other directive.

DJJ is also reviewing options on how to ensure supervisory and management personnel in our organizational units are more involved in the administration of leave process to ensure the timely processing of leave and subsequently docking forms in cases of LWOP.

Again we appreciate the opportunity to provide a response to the deficiencies identified in the Audit and the opportunity to correct them. We have plans in place to monitor both areas requiring improvement.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Stephen Pullen', written over a horizontal line.

W. Stephen Pullen
Deputy Director
Administration & Finance

AGENCY OFFICIALS

DEPARTMENT OF JUVENILE JUSTICE

BOARD MEMBERS

As of June 30, 2008

James S. Turpin
Chairman

Courtney A. Penn
Vice Chairman

Barbara J. Meyers, Ph.D.
Secretary

| | |
|-------------------|------------------|
| Kecia N. Brothers | Patricia Puritz |
| Aida L. Pacheco | Justin M. Wilson |

ADMINISTRATIVE OFFICERS

Barry R. Green, Director

W. Stephen Pullen, Deputy Director of Administration and Finance